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INTRODUCTION

The Office of Internal Audit performed an audit of Alpena/Presque Isle County FIA for the period October 1, 2003 through August 30, 2004. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Alpena County FIA had 40 full time equated positions (FTE's) at the time of our review and Presque Isle County FIA had 13. Alpena/Presque Isle County FIA provided assistance to an average 4,442 recipients per month during FY 2003, with total assistance payments of \$5,072,589 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Alpena/Presque Isle County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursement
General Ledger	Child Protective Services
Modified Accrual Basis Balance Sheet	Safe and Controlled Documents
State Emergency Relief (SER)	Employment Support Services
Client Processing	CIS/ASSIST
Payroll and Timekeeping	Procurement Card

EXECUTIVE SUMMARY

Based on our audit, we concluded that the Alpena/Presque Isle County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization.

FINDING AND RECOMMENDATION

Cash Receipts

Mail Opening

1. Presque Isle County FIA had only one person opening the mail. Accounting Manual Item 430 requires that two people work together to open the mail. Having two people opening the mail helps to ensure that cash and negotiable instruments received in the mail are not lost or stolen prior to being recorded at the local office.

WE RECOMMEND that Presques Isle County FIA have two people work together to open the mail.

ALPENA/PRESQUE ISLE RESPONSE

The management of Alpena/Presque Isle County FIA responded that it is difficult in a small county, such as Presque Isle, to free up two staff to open the mail for the length of time required. In a telephone discussion on January 20, 2005, Presque Isle County FIA agreed to implement an alternate control where two people would work together to sort the mail. They would set aside mail that they knew would not contain checks or negotiables for one individual to open at a later time. The two individuals would work together to open mail where the contents were unknown, or could possibly contain negotiables. Because of the small volume of negotiables received in Presque Isle, and the limited staffing, we agreed that this control would be adequate.